

CANE RIVER CHILDREN'S SERVICES, INC.

**ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

Cane River Children's Services, Inc.
Annual Financial Report
June 30, 2015

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Johnson, Thomas & Cunningham

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cane River Children's Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As explained in Note 13 to the financial statements, the Agency did not properly identify, record and reconcile internal transfers between the program accounts, which resulted in an ending credit balance of \$11,910 in the internal transfer accounts. This balance was reclassified for reporting purposes as unreconciled revenues. The Agency also failed to follow established internal control procedures for expenditures.

Opinion

In our opinion, except for effects of the matters described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Cane River Children’s Services, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Cane River Children’s Services, Inc. taken as a whole. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 18, to supplement the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records, used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. Information from the preceding year is reported in certain financial statements within this report. The information was taken from our report dated December 4, 2014, in which we expressed a qualified opinion on the Cane River Children’s Services, Inc.’s statement of financial position.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of Cane River Children's Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cane River Children's Services, Inc.'s internal control over financial reporting and compliance.

Johnson, Thomas & Cunningham CPA's
Johnson, Thomas & Cunningham, CPA's

December 9, 2015
Natchitoches, Louisiana

FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Statement of Financial Position
Years Ended June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
Assets-		
Cash & Cash Equivalents	\$ 179,648	\$ 140,608
Revenue Receivables	339,310	314,782
Prepaid Expenses	18,415	17,367
Facility	1,631,650	1,631,650
Land	321,078	321,078
Major Movables	12,128	12,128
Office Furniture & Equipment	28,690	28,690
Vehicles	107,327	107,327
Household Furniture	108,450	108,450
Leasehold Improvements	96,620	96,620
Computers	27,053	27,053
Less, Accumulated Depreciation	<u>(876,199)</u>	<u>(822,305)</u>
Total Assets	<u>\$1,994,170</u>	<u>\$1,938,448</u>
Liabilities-		
Cash Overdrafts	\$ 49,660	\$ 30,122
Accounts Payable	11,644	21,207
Accrued Payroll	19,350	15,010
Payroll Liabilities	433	5,884
Resident's Deposits	4,383	7,167
Current Portion of Long-Term Debt	27,924	22,555
Long-Term Debt	<u>756,162</u>	<u>691,281</u>
Total Liabilities	<u>\$ 869,556</u>	<u>\$ 793,226</u>
Net Assets-		
Unrestricted	<u>\$1,124,614</u>	<u>\$1,190,222</u>
Total Liabilities & Net Assets	<u>\$1,994,170</u>	<u>\$1,983,448</u>

The accompanying notes are an integral part of the financial statements.

Cane River Children's Services, Inc.
Statement of Activities
Years Ended June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED REVENUES:		
Intergovernmental	\$1,082,751	\$1,102,301
Unreconciled Revenues	11,910	54,666
Other	<u>29,461</u>	<u>29,739</u>
Total Unrestricted Revenues	<u>\$1,124,122</u>	<u>\$1,186,706</u>
Expenses-		
Administrative & General	\$ 358,129	\$ 377,685
Plant Operation	75,361	93,824
Capital Assets Cost	53,895	51,364
Dietary	62,061	66,264
Housekeeping	12,032	10,791
Personal Needs	17,172	11,596
Medical/Nursing	928	746
Therapeutic & Training	596,740	576,023
Recreational	5,147	6,133
Ancillary	<u>8,265</u>	<u>7,718</u>
Total Expenses	<u>\$1,189,730</u>	<u>\$1,202,144</u>
(Decrease) in Net Assets	\$ (65,608)	\$ (15,438)
Net Assets-Beginning of Year	<u>1,190,222</u>	<u>1,205,660</u>
Net Assets-End of Year	<u>\$1,124,614</u>	<u>\$1,190,222</u>

The accompanying notes are an integral part of the financial statements.

Cane River Children's Services, Inc.
Statement of Functional Expenses
Years Ended June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
EXPENSES:		
Administrative & General-		
Salaries-Administrative & Clerical	\$ 198,667	\$ 204,190
Employee Benefits	5,651	7,346
Interest	33,803	32,579
Insurance-Officers	1,679	1,598
Insurance-Workman's Comp.	13,809	13,797
Insurance-Motor Vehicles	12,314	8,472
Insurance-Other	21,635	34,561
Licenses	42	431
Office Supplies	14,094	12,595
Printing	1,435	785
Vehicles-Gas, Oil, etc.	18,474	23,526
Postage	510	652
Professional Services	4,859	4,281
Dues & Subscriptions	2,084	5,650
Telephone	13,745	12,447
Training	2,480	1,544
Travel & Seminars	1,560	81
Rental Expense	720	8,355
Miscellaneous	<u>10,568</u>	<u>4,795</u>
Total	<u>\$ 358,129</u>	<u>\$ 377,685</u>
Plant Operation-		
Outside Services	\$ 2,761	\$ 3,744
Maintenance-Building & Grounds	3,378	4,743
Repairs-Building & Grounds	6,797	23,689
Repairs-Furniture & Equipment	17,310	10,496
Utilities	<u>45,115</u>	<u>51,122</u>
Total	<u>\$ 75,361</u>	<u>\$ 93,824</u>
Capital Assets Cost-		
Depreciation-Furn. & Equip.	\$ 7,094	\$ 6,883
Depreciation-Vehicles	6,010	3,835
Depreciation-Facility	<u>40,791</u>	<u>40,646</u>
Total	<u>\$ 53,895</u>	<u>\$ 51,364</u>

(Continued next page)

The accompanying notes are an integral part of the financial statements.

Cane River Children's Services, Inc.
Statement of Functional Expenses (continued)
Years Ended June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
Dietary-		
Salaries-Kitchen Director	\$ 0	\$ 0
Employee Benefits	0	0
Food	62,061	66,264
Dietitian	<u>0</u>	<u>0</u>
Total	<u>\$ 62,061</u>	<u>\$ 66,264</u>
Housekeeping-		
Supplies	<u>\$ 12,032</u>	<u>\$ 10,791</u>
Personal Needs-		
Clothing	\$ 6,574	\$ 1,353
Other	<u>10,598</u>	<u>10,243</u>
Total	<u>\$ 17,172</u>	<u>\$ 11,596</u>
Medical & Nursing-		
Medical Services-Routine	\$ 853	\$ 746
Psychiatric & Psychological	<u>75</u>	<u>0</u>
Total	<u>\$ 928</u>	<u>\$ 746</u>
Therapeutic & Training-		
Salaries-Therapists	\$ 183,215	\$ 139,527
Salaries-DCC Staff	341,180	355,066
Employee Benefits	17,316	24,650
Payroll Taxes	54,608	54,159
Supplies	421	636
Training	<u>0</u>	<u>1,985</u>
Total	<u>\$ 596,740</u>	<u>\$ 576,023</u>
Recreational-		
Activities	<u>\$ 5,147</u>	<u>\$ 6,133</u>
Ancillary-		
Residents Miscellaneous	\$ 25	\$ 25
Other	<u>8,240</u>	<u>7,693</u>
Total	<u>\$ 8,265</u>	<u>\$ 7,718</u>
Total Expenses	<u>\$1,189,730</u>	<u>\$1,202,144</u>

The accompanying notes are an integral part of the financial statements.

Cane River Children's Services, Inc.
Statement of Cash Flows
Years Ended June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (65,608)	\$ (15,438)
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Depreciation	53,895	51,364
(Increase) Decrease in Accounts Receivable	(24,528)	(91,655)
(Increase) Decrease in Prepaid Expenses	(1,048)	265
Increase (Decrease) in Accounts Payable	(9,563)	(6,356)
Increase (Decrease) in Accrued Payroll	4,339	6,819
Increase (Decrease) in Payroll Liabilities	(5,451)	(965)
Increase (Decrease) in Resident's Deposits	<u>(2,784)</u>	<u>(3,684)</u>
Net Cash Provided by (Used by) Operating Activities	\$ <u>(50,748)</u>	\$ <u>(59,650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Loans	\$(769,505)	\$ (24,577)
Loan Proceeds	839,755	60,000
Purchase of Assets, Furniture & Equipment	<u>0</u>	<u>(37,429)</u>
Net Cash Provided by (Used by) Financing Activities	\$ <u>70,250</u>	\$ <u>(2,006)</u>
Net Increase (Decrease) in Cash	\$ 19,502	\$ (61,656)
Cash at Beginning of Year	<u>110,486</u>	<u>172,142</u>
Cash at End of Year	\$ <u>129,988</u>	\$ <u>110,486</u>
Total Interest Paid	\$ <u>33,803</u>	\$ <u>32,579</u>
Reconciliation of Cash & Cash Equivalents:		
Cash & Cash Equivalents	\$179,648	
Cash Overdrafts	<u>(49,660)</u>	
Net Cash at End of Year	\$ <u>129,988</u>	

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2015

1. Organization:

Cane River Children's Services, Inc. was incorporated as a non-profit corporation on May 18, 1978, under the laws of the State of Louisiana. The agency maintains and operates residential group homes for undomiciled and troubled youth, and provides support for transitional living for boys and girls as placed by the State of Louisiana, as authorized by its charter. The agency operates under a ten member Board of Directors.

2. Summary of Significant Accounting Policies:

The accounting and reporting policies of Cane River Children's Services, Inc., conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

- A. Financial Statement Presentation - The Agency has adopted FASB Accounting Standard Codification 958-205 "Not-for-Profit Organizations." Under FASB ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows.
- B. Basis of Accounting - The Agency uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.
- C. Financial Statement Preparation - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Fixed Assets - Depreciation on all exhaustible fixed assets is charged as an expense against the operations of the Agency. Assets are recorded at cost if purchased or at market value at time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. Accumulated depreciation was \$876,199 at June 30, 2015, and \$822,305 at June 30, 2014.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued):

- E. Income Taxes - The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Agency's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.
- F. Unpaid Accumulated Vacation Pay - Employees of the Agency earn one to two days of vacation per month depending upon the number of years of employment, beginning on the seventh month of employment. At the end of each year, employees may carry forward vacation time earned but not taken, up to a maximum of 360 hours. Subject to this limitation, unused vacation pay is paid to employees upon separation at retirement at hourly rates being earned. Due to the immateriality of this amount in relation to total agency payrolls, no accrual has been made for accumulated vacation pay.
- G. Long-Term Liabilities - The Agency has two notes payable at June 30, 2015. On October 9, 2014, the Agency restructured its debt and paid off previously existing loans with LA Capital Federal Credit Union and the Bank of Montgomery.

On October 9, 2014, the Agency obtained a loan with the Bank of Montgomery for \$500,000, with an interest rate of 4.25%. The loan is to be repaid in 59 regular payments of \$3,070 and one irregular last payment estimated at \$414,679, due on October 9, 2019. The proceeds from this loan were used to pay off three existing loans with the Bank of Montgomery. The balance of this new loan at June 30, 2015, was \$490,054.

Simultaneously, the Agency obtained a loan with the Bank of Montgomery for \$300,000, with an interest rate of 4.25%. The loan is to be repaid in 59 regular payments of \$1,858 and one irregular last payment estimated at \$248,807, due on October 9, 2019. The proceeds from this loan were used to pay off an existing loan with LA Capital Federal Credit Union and an existing loan with Bank of Montgomery. The balance of this new loan at June 30, 2015, was \$294,032.

The fair value of the above loans is estimated based on the current rates offered to the Agency for debt of the same remaining maturities. At June 30, 2015, the fair value of long-term debt approximates the amounts recorded in the financial statements.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2015

G. Long-Term Liabilities (continued) -

The annual requirements for these notes, including interest, are as follows:

	Note 1 - Bank of Montgomery		Note 2- Bank of Montgomery		TOTAL	
FYE	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2016	\$ 17,929	\$ 19,235	\$ 9,995	\$ 12,303	\$ 27,924	\$ 31,538
2017	17,436	19,728	10,428	11,870	27,864	31,598
2018	18,191	18,973	10,880	11,418	29,071	30,391
2019	18,980	18,184	11,352	10,947	30,332	29,131
2020	417,518	5,880	251,377	3,541	668,895	9,421
	<u>\$ 490,054</u>	<u>\$ 82,000</u>	<u>\$ 294,032</u>	<u>\$ 50,079</u>	<u>\$ 784,086</u>	<u>\$ 132,079</u>

H. Cash and Equivalents - For the purpose of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

I. Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and results of operations.

3. Cash and Cash Equivalents:

The cash and cash equivalents of the Cane River Children's Services, Inc. are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Agency that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Agency's name.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2015

3. Cash and Cash Equivalents (continued):

At June 30, 2015, cash and cash equivalents totaled \$129,988, including \$800 petty cash (book balances). Bank balances totaled \$183,406 at June 30, 2015. Bank accounts balances of \$131,418 are secured by FDIC Insurance, and the investment of \$51,988 is in government securities.

4. Revenue Receivable:

Revenue Receivable at June 30, 2015 and 2014 represents amounts due from the Agency's contracts with the State of Louisiana and Magellan Behavioral Health, Inc. The amount of receivables deemed to be uncollectible has not been determined, therefore, there has been no provision recorded for doubtful accounts.

5. Fixed Assets:

The following is a summary of changes in fixed assets for the Agency for the two-year period ended June 30, 2015:

	Balance <u>6-30-13</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-14</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-15</u>
Fixed Assets, Not Depreciated-							
Land	\$ 321,078	\$ 0	\$ 0	\$ 321,078	\$ 0	\$ 0	\$ 321,078
Fixed Assets, Depreciated-							
Facility	1,614,275	17,375	0	1,631,650	0	0	1,631,650
Vehicles	90,572	16,755	0	107,327	0	0	107,327
Household Furniture	105,331	3,119	0	108,450	0	0	108,450
Office Furniture	28,510	180	0	28,690	0	0	28,690
Computers	27,053	0	0	27,053	0	0	27,053
Renovations-IL	96,620	0	0	96,620	0	0	96,620
Major Movables	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>
Total Fixed Assets	\$2,295,567	\$ 37,429	\$ 0	\$2,332,996	\$ 0	\$ 0	\$2,332,996
Accumulated Depreciation	<u>770,940</u>	<u>51,364</u>	<u>0</u>	<u>822,304</u>	<u>53,895</u>	<u>0</u>	<u>876,199</u>
Net Fixed Assets-							
Totals	<u>\$1,524,627</u>	<u>\$ (13,935)</u>	<u>\$ 0</u>	<u>\$1,510,692</u>	<u>\$ (53,895)</u>	<u>\$ 0</u>	<u>\$1,456,797</u>

Depreciation expense was \$53,895 and \$51,364 for the years ended June 30, 2015 and June 30, 2014, respectively.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2015

6. Retirement Commitments:

The Agency offers employees the option of participating in an employee-sponsored Simple IRA retirement plan with American Funds. The plan allows employees to make contributions to the plan at time of hire. After the six months' probation period, the Agency will match up to three percent of the employee's salary to the plan. For the year ended June 30, 2015, Cane River Children's Services, Inc.'s contribution amount was \$4,086 and employee contributions totaled \$10,194.

7. Pending Litigation:

Cane River Children's Services, Inc. has no legal action pending at June 30, 2015.

8. Lease Commitments:

Cane River Children's Services, Inc. has no lease commitments at June 30, 2015.

9. Compensation Paid to Board Members:

The members of the Board of Directors receive no compensation for their services.

10. Economic Dependency:

The Agency receives the majority of its revenue from funds provided through federal and state grants administered by the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Agency receives could be reduced significantly. Either of these conditions could have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Agency will receive in the next fiscal year.

11. Unrestricted Net Assets:

None of the Agency's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under FASB ASC 958.

12. Contributions:

The Agency has also adopted FASB ASC 958-605, "Not-For-Profit Entities – Revenue Recognition." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions. However, as disclosed above, there were no donor-imposed restrictions during the years ended June 30, 2015 and June 30, 2014.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2015

13. Unreconciled Revenues:

All revenue provided through federal and state grants administered by the State of Louisiana are direct-deposited into a single bank account held by the Agency. The amounts are then distributed to various other bank accounts related to the various programs administered by the Agency. The internal transfers were not properly identified, recorded or reconciled between the program accounts, which resulted in an ending credit balance of \$11,910 in the internal transfer accounts. This amount was reclassified to unreconciled revenues on the Statement of Activities.

14. Subsequent Events:

Management has evaluated events through December 9, 2015, the date on which the financial statements were available to be issued, to determine if there were any events that require disclosure. Cane River Children's Services has been advised by the State of Louisiana that an undetermined amount of its receivables will not be collected from Magellan Health, which will result in a write-off of receivables that could be material to the financial statements.

OTHER SUPPLEMENTAL INFORMATION

Cane River Children's Services, Inc.
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2015

Agency Head Name: Jennifer Johnson-Karle, Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 89,319
Benefits – Insurance	1,200
Benefits – Retirement	1,620
Benefits – SS/Medicare	6,654
Car Allowance	0
Cell Phone	1,464
Dues	0
Vehicle Rental	0
Per Diem	0
Reimbursements	0
Travel	997
Housing	0
Unvouchered Expenses	0
Special Meals	0
Other	<u>0</u>
Total	<u>\$101,254</u>

See independent auditor's report.

Cane River Children's Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	State Contract Pass-through Number	Federal Award Amounts	Federal Disbursements/ Expenditures
<u>U. S. Department of Health and Human Services</u>				
Pass-through from State Department of Social Services:				
Resident Treatment Services for Foster Children - ARRA (Title IV- Foster Care)	93.658	010008200	\$ 934,514	\$ 934,514
Medical Assistance Program	93.778	----	124,461	77,337
<u>U.S. Department of Justice</u>				
Crime Victim Assistance	16.575	----	<u>23,776</u>	<u>23,776</u>
Total			<u>\$1,082,751</u>	<u>\$1,035,627</u>

Cane River Children's Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Cane River Children's Services, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

INTERNAL CONTROL AND COMPLIANCE

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Cane River Children's Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cane River Children's Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cane River Children's Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cane River Children's Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we consider the deficiency described as *Item 2015-001 - Segregation of Duties* to be a significant deficiency. We also identified two instances of material weakness, described as *Item 2015-002 - Reconciliation of Accounts* and *Item 2015-003 – Expenditures* in the accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cane River Children's Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cane River Children's Services, Inc.'s Response to Finding

Cane River Children's Services, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Cane River Children's Services, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Johnson, Thomas & Cunningham, CPA's

December 9, 2015
Natchitoches, Louisiana

Johnson, Thomas & Cunningham

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Cane River Children's Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Cane River Children's Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cane River Children's Services, Inc.'s major federal programs for the year ended June 30, 2015. Cane River Children's Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cane River Children's Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cane River Children's Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cane River Children's Service's compliance.

Opinion on Each Major Federal Program

In our opinion, Cane River Children's Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Cane River Children's Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cane River Children's Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cane River Children's Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We consider the deficiencies described as *Items 2015-004* and *2015-005* in the accompanying schedule of findings and questioned costs to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

December 9, 2015
Natchitoches, Louisiana

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS

The following summarize the audit results in accordance with OMB Circular A-133:

1. Cane River Children's Services, Inc. failed to properly identify, record and reconcile internal transfers between program accounts, therefore a qualified opinion was issued on the financial statements of Cane River Children's Services, Inc. as of and for the year ended June 30, 2015.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness (*Item 2015-001*) and two instances of material weakness in internal control (*Items 2015-002 and 2015-003*).
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
4. The audit disclosed two instances of material weakness in internal control over major programs (*Item 2015-004 and Item 2015-005*).
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any findings related to federal awards that are required to be reported under OMB Circular A-133.
7. The following program was major for the year ended June 30, 2015:
 - Residential Treatment Services for Foster Children - CFDA # 93.658
8. \$300,000 was the threshold used to distinguish Type A from Type B programs.
9. The Cane River Children's Services, Inc. did not qualify as a low-risk auditee.

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2015

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following findings relate to the financial statements and are required to be reported in accordance with *Government Auditing Standards*:

Internal Control-

2015-001 *Segregation of Duties*

Criteria - Cane River Children's Services, Inc. should have employees available to execute the ongoing duties related to financial matters.

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

Cause - Due to a lack of funds, Cane River Children's Services, Inc. does not have a sufficient number of employees to adequately separate accounting duties or to prepare the agency's annual financial statements with related note disclosures.

Effect - Intentional or unintentional errors could be made and not detected within the accounting system.

Recommendation - Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

2015-002 *Internal Control over Account Reconciliations*

Criteria - Adequate internal controls require that internal transfer accounts be properly recorded and reconciled to the general ledger on a timely basis.

Condition - Cane River Children's Services does not properly record transfers between program accounts. This does not allow management to have useful financial information during the year.

Cause - The Agency's personnel did not properly record and reconcile transfers between program accounts in a timely manner during the year.

Effect - Failure to properly record and reconcile transfers between programs adversely effects the reliability of the financial statements for each program.

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2015

Recommendation - We recommend that accounting personnel record and reconcile transfers between programs in accordance with generally accepted accounting principles.

2015-003 *Internal Control over Expenditures*

Criteria - Adequate internal controls require that expenditures be reviewed for proper approval and recording.

Condition - Cane River Children's Services does not follow established internal control procedures for the processing of expenditures.

Cause - The Agency failed to obtain supervisor approval on all credit card statements and failed to detect duplicate posting of certain expenditures.

Effect - Improper approval and recording of expenditures could result in misstatement of the financial statements.

Recommendation - We recommend that Cane River Children's Services take steps to ensure compliance with existing internal control procedures with regard to expenditures.

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2015

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

The following findings relate to the major federal award programs for Cane River Children's Services, Inc.:

2015-004 *Account Reconciliations - CFDA #93.658*

(See Item 2015-002 under Section II above.)



P.O. Box 2453 Natchitoches, LA 71457-2453 Phone: (318) 352.9349 Fax: (318) 352.9345

December 9, 2015

**Executive
Board**

Tonya Conlay
Rick Hargis
Lisa Johnson
Gail Jones
Jennifer Karle
Calvin McFerrin
Tommy Murchison
Vicki Parrish
Lisa Causey Streete
Frances Welch

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

RE: Cane River Children's Services, Inc.
Financial Report – June 30, 2015

The following is our response to the audit findings issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2015:

Management's Corrective Action Plan:

- 2015-001 Segregation of Duties
A new administrative position was added during the 2014-2015 fiscal year to assist with Accounts Payable. The additional responsibilities of another employee will provide further Segregation of Duties and internal controls in accordance with the size of our organizational ability to support the associated costs. The Board of Directors regularly reviews the financial statements and accepts responsibility for their contents and presentation.
- 2015-002 Internal Control over Account Reconciliation
Cane River Children's Services continues to take necessary steps to reduce the number of transfers necessary between the program accounts. The entries are now recorded and reconciled on a regular basis. The Financial Manager will increase timely management of this process in accordance with accepted accounting principles and report monthly task completion to management.
- 2015-003 Internal Control over Expenditures
Approval of all expenditures is required according to agency policy and procedure. Since there are several new directors and employees in agency programs, a staff training will be completed to ensure approval, documentation, and supervision of expenditures are being conducted in accordance with agency policy regarding internal controls. Corrective action will be monitored by management.

Please contact us if there are any questions regarding our response.

Sincerely,

Jennifer Johnson Karle
Chief Executive Officer

Cane River Children's Services, Inc.
Summary of Prior Year's Findings
June 30, 2015

SECTION I: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

14-01 Segregation of Duties

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

Current Status - For the year ended June 30, 2015, this condition was not cleared. See finding 2015-001.

14-02 Internal Control over Account Reconciliations

Condition - Cane River Children's Services does not properly record transfers between program accounts. This does not allow management to have useful financial information during the year.

Current Status - For the year ended June 30, 2015, this condition was not cleared. See finding 2015-002.

SECTION II: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

14-03 Internal Control over Account Reconciliations – CFDA #93.658

Condition - Cane River Children's Services does not properly record transfers between program accounts. This does not allow management to have useful financial information during the year.

Current Status - For the year ended June 30, 2015, this condition was not cleared. See finding 2015-004.

14-04 Data Collection and Reporting Package – CFDA #93.658

Condition - For the year ended June 30, 2013, Cane River Children's Services did not timely approve the report submission to the Federal Audit Clearinghouse.

Current Status - For the year ended June 30, 2015, this condition was cleared.

SECTION III: MANAGEMENT LETTER

Not applicable.